

Message Text

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ORIGIN OPIC-12

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DRAFTED BY OPIC/F. BBOSTWICK:PMH

APPROVED BY EB/IFD/OIA:MCKENNEDY

EB/IFD/OIA:T. BRODERICK

NEA/PAB:G. JONES

OPIC/F:JCULMAN

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FM SECSTATE WASHDC

TO AMEMBASSY ISLAMABAD

AMCONSUL KARACHI

UNCLAS STATE 124972

E.O. 11652:N/A

TAGS: EFIN

SUBJECT: TERMS OF OPIC ADMINISTERED LOCAL CURRENCY LOANS

REF:(A) ISLAMABAD 4449 (B) KARACHI 1074

1. FOR KARACHI: BASED ON INFORMATION RECEIVED TO DATE FROM
CPC INTERNATIONAL, GOP COULD EXPECT OPIC TERMS FOR LOCAL
CURRENCY LOAN TO BE SIMILAR TO FOLLOWING:

A. INTEREST AT 9 1/2 PER CENT.

B. TERM: FIVE TO EIGHT YEARS INCLUDING ONE OR TWO-YEAR
GRACE PERIOD.

C. REPAYMENT OF PRINCIPAL AND INTEREST ON SEMI-ANNUAL
BASIS.

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D. SECURITY FOR LOAN COULD INCLUDE MORTGAGE ON FIXED

ASSETS, OR; FULL OR PARTIAL PARENT COMPANY GUARANTY,
DEPENDING ON OPIC ASSESSMENT OF RISK.

E. NO MAINTENANCE OF VALUE ON LOCAL CURRENCY LOAN.

F. PROBABLE RESTRICTIONS ON DIVIDENDS.

G. COMPANY REQUIRED TO MAINTAIN CERTAIN NET WORTH AND
WORKING CAPITAL LEVELS.

THE ABOVE TERMS ARE TYPICAL OF CONDITIONS OPIC MIGHT
REQUIRE, BUT FINAL ASSESSMENT POSSIBLE ONLY UPON RECEIPT
OF COMPLETE APPLICATION FROM COMPANY.

UNDERSTAND THAT BOTH DEPARTMENT OF INVESTMENT PROMOTION
AND SUPPLY AND CENTRAL BANK REVIEW SUGGESTED RATE OF INTEREST
FOR SUCH LOANS. WOULD THEREFORE APPRECIATE INFORMATION ON
CURRENT MARKET REPEAT MARKET RATES FOR SHORT, MEDIUM AND
LONG-TERM LOANS.

2. FOR ISLAMABAD AND KARACHI: OPIC HAS RECENTLY RECEIVED
AT LEAST FOUR SERIOUS INQUIRIES FROM U.S. COMPANIES
INTERESTED IN LOCAL CURRENCY LOANS IN PAKISTAN. THESE
ARE CPC INTERNATIONAL, PHILIP MORRIS, HOLIDAY INNS, AND
STERLING DRUG. SUBJECT TO AVAILABILITY OF LOCAL CURRENCIES
FOR THESE PURPOSES, OPIC WOULD WELCOME DISCUSSIONS WITH
RESPONSIBLE U.S. INVESTORS FOR NEW OR EXPANSION PROJECTS
WITH GOOD DEVELOPMENTAL BENEFITS FOR PAKISTAN.

IN CONJUNCTION WITH THE FOREGOING INQUIRIES, OPIC WILL
ALSO CONSIDER MAKING DOLLAR LOANS FROM ITS OWN RESOURCES
FOR PART OF PROJECT COSTS. THESE DOLLAR LOANS COULD TAKE
THE FORM OF EITHER STRAIGHT TERM LOANS OR CONVERTIBLE DEBEN-
TURES. INTEREST RATES ON STRAIGHT LOANS WOULD VARY FROM
NINE AND ONE-HALF TO TWELVE PERCENT. INTEREST RATES ON
CONVERTIBLE LOANS WOULD BE FROM SEVEN AND ONE-HALF TO NINE
AND ONE-HALF PERCENT. MATURITIES WOULD BE DETERMINED
BY CASH FLOW, BUT WOULD GENERALLY BE IN EXCESS OF FIVE
YEARS INCLUDING A GRACE PERIOD. TO MAKE SUCH LOANS IN PAKISTAN,
OPIC WOULD NEED TO KNOW THE FOLLOWING:

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A. WOULD DOLLAR LOANS FROM OPIC BE EXEMPT FROM GOP TAX ON
INTEREST, IF ANY?

B. WHAT ASSURANCES CAN BE PROVIDED, AND BY WHOM, FOR
AVAILABILITY OF FOREIGN EXCHANGE TO REPAY LOAN?

C. WHAT GOP APPROVALS, REGISTERING OR NON-OBJECTIONS

ARE REQUIRED FOR SUCH LOANS? IF OPIC WERE TO MAKE A DOLLAR
LOAN IN THE FORM OF A CONVERTIBLE DEBENTURE TO A PAKISTANI
COMPANY, WOULD ALSO NEED TO KNOW:

D. ANY RESTRICTIONS OR REGULATIONS GOVERNING PARTIES,
I.E., FOREIGN OR LOCAL, TO WHOM OPIC MIGHT SELL THE DE-
BENTURES.

E. IF DEBENTURES SOLD TO LOCAL PAKISTANIS, WOULD PROCEEDS
BE FREELY CONVERTIBLE INTO DOLLARS? PLEASE ADVISE RE ABOVE
ASAP.
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